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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001420

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SUBJECT: AUSTR STRATFORD MEETING WITH VICE PREMIER CHIOU
I-JEN

Classified By: AIT DIRECTOR STEPHEN M. YOUNG FOR REASONS 1.4 (b), (d)

1.(C) SUMMARY. During a June 14 meeting with Vice Premier Chiou I-Jen, AUSTR Timothy Stratford underscored ongoing U.S. interest in a strong bilateral economic relationship with Taiwan, including clear progress in the July Trade and Investment Framework Agreement (TIFA) talks. Stratford expressed satisfaction at the very productive preliminary discussions on a possible bilateral investment agreement and his impression that both sides are working hard to assess whether official negotiations can be launched in the near future. Citing U.S. negotiating concerns over a bilateral Government Procurement Agreement (GPA), Stratford urged Taiwan to return to consideration of a multilateral GPA at the WTO. Stratford also urged that, in light of the OIE's decision in May to reclassify the United States as a controlled-risk country, Taiwan should resume imports of all U.S. beef products. Chiou emphasized Taiwan interest in concrete, rapid progress under the TIFA talks. Although he expressed willingness to revisit the GPA issue at the WTO, Chiou said political concerns make it difficult to address the issue now. END SUMMARY.

2.(U) Assistant United States Trade Representative (AUSTR) Timothy Stratford was accompanied by the Director, Deputy Assistant USTR Eric Altbach, AIT/W Trade and Commercial Programs Representative Rick Ruzicka, and econoffs. Vice Premier Chiou I-Jen was joined by Economic Affairs Minister Steve Chen (Ruey-Long) and John Deng, Chief Representative, Office of Trade Negotiations.

Revisiting multilateral GPA options

13. (C) Stratford opened by stressing U.S. interest in building long-term economic relations with Taiwan. He observed that a bilateral government procurement agreement (GPA) could pose significant technical problems for the U.S.,

and urged Taiwan to take a fresh look at acceding to the WTO government procurement agreement. Chiou asked for U.S. help in addressing political concerns, including potential PRC objections, if the multilateral option were pursued. Since PRC clout is likely to continue to increase, explained Stratford, Taiwan may want to adopt a pragmatic approach and try for a multilateral agreement as soon as possible. Chiou thanked the U.S. for its support in the World Animal Health Organization (OIE), and said that Taiwan will "maintain a very flexible attitude" on the WTO GPA issue. He cautioned, however, that Taiwan has clear political limitations on the terminology it can accept, and would prefer not to raise the issue now.

14. (C) Stratford observed that previous concerns regarding former President Lee Teng-hui's position on the WTO GPA agreement appear to have abated. Chiou replied that although relations with Lee and the Taiwan Solidarity Union (TSU) are a serious issue for some in the DPP, Chiou himself is less concerned with Lee's objections to the GPA accession.

TIFA prospects and the bilateral economic relationship

15. (SBU) Stratford noted that discussions on a possible bilateral investment agreement (BIA) appear to be progressing well. He expressed optimism about prospects for an eventual agreement, but was uncertain about how quickly a negotiation could be concluded. Stratford emphasized that the results of ongoing bilateral discussions will determine the nature of a BIA announcement during the TIFA talks. The U.S. must be convinced of the negotiation's likely success before talks

TAIPEI 00001420 002 OF 002

can be launched, he cautioned, adding that prospects would depend on the nature of Taiwan's proposed exclusion list (received on June 15 and e-mailed to the Department and USTR). The U.S. side is continuing to lay the groundwork for bilateral tax agreement (BTA) negotiations, he said. Chiou stressed Taiwan interest in achieving concrete results during the TIFA talks, and said Taiwan will continue to push for a free trade agreement (FTA).

16. (C) A BIA would be significant in and of itself, observed Stratford. He noted U.S. interest in receiving Taiwan's analysis of how the U.S.-Korea FTA would affect Taiwan's economic competitiveness. According to Chiou, many Taiwan representatives have warned President Chen about the alleged negative impact of the U.S.-Korea FTA. If Congress doesn't approve the agreement, he asserted, it will "remove some psychological threat" from the Taiwan business sector. Stratford stated that Congress' failure to pass a Korea FTA would in fact have a negative effect on Taiwan, as such a result would indicate an overall lack of support for free trade in the U.S. The U.S. will maintain its long-term commitment to a strong economic relationship with Taiwan, stated Stratford, and will remain a steady and reliable trade partner. "We can feel your commitment," replied Chiou.

17. (SBU) Stratford and Altbach both stressed U.S. interest in Taiwan adopting a science-based approach that would ensure market access for the full range of U.S. beef imports. Chiou said the U.S. request appears reasonable. He mentioned that the Canadians are complaining that their beef imports are still restricted, even though they applied to allow imports before the U.S. did. On pharmaceuticals, Altbach urged Taiwan to fully implement a mandatory standard contract before the next price volume survey or alternative reimbursement price adjustment mechanism.

18. (SBU) As the meeting closed, the Director expressed the hope that the reinvorgated TIFA process will yield concrete progress at the July talks, as well as maintaining the momentum for close dialogue and exchange.

Former Vice Premier Tsai shares views on trade relations

¶9. (C) In a separate June 15 meeting with Altbach, Ruzicka, and Econ Chief, Chiou's predecessor Tsai Ing-wen offered her own analysis of the GPA issue. In her view, domestic political concerns would make it very difficult to reach a multilateral deal in Geneva, both before and after Taiwan's presidential and legislative elections. After the elections, she explained, any new president will be unlikely to enjoy a solid political base and would therefore be reluctant to make any compromises on the sensitive issue of Taiwan sovereignty.

¶10. (C) On a broader level, Tsai characterized deepening U.S.-Taiwan economic relations as part of an overall process of "balancing" Taiwan's external trade. She implied that TIFA progress would help pave the way for additional Taiwan opening on cross-strait trade. Tsai was wary about publicly announcing any TIFA-related negotiations, fearing that announcements would prompt PRC political interference. Altbach replied that USTR is prepared to resist Chinese pressure.

YOUNG